

**SUMMERFIELD TOWNSHIP,**

**MONROE COUNTY**

**REPORT ON  
AUDITED FINANCIAL STATEMENTS**

**June 30, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County Monroe
Fiscal Year End 6/30/06	Opinion Date 8/11/06	Date Audit Report Submitted to State 10/24/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

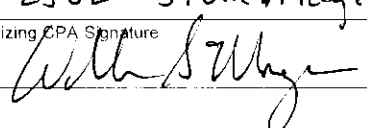
SE 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Note: Page 28 of audit
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name)	Taylor & Morgan, CPAs P.C.	
Telephone Number	810 - 230 - 8200	
Street Address	City	State Zip
6-2302 Stonebridge Dr. Bldg D	Flint	MI 48932
Authorizing CPA Signature	Printed Name	License Number
	William S Morgan	101016917

SUMMERFIELD TOWNSHIP

MONROE COUNTY

STATE OF MICHIGAN

TOWNSHIP BOARD MEMBERS

Kevin Iott  
Supervisor

Tammy Bleashka  
Clerk

Joan Wiederhold  
Treasurer

Dale Wagenknecht  
Trustee

Mark Strahan  
Trustee

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet-Governmental Funds	9
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Net Assets	13
Notes to the Basic Financial Statements	14-20
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	21
Budgetary Comparison Schedule - Road Fund	22
Budgetary Comparison Schedule - Fire Equipment Fund	23
Other Supplemental Information:	
Combining Balance Sheet - Nonmajor Funds	24
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Funds	25
Statement of Changes in Assets and Liabilities-Agency Funds	26
Other Information	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing             Standards</i>	27
Comments and Recommendations	28



---

Certified Public Accountants

Independent Auditor's Report

August 11, 2006

Summerfield Township Board  
Township Hall  
26 Saline Street  
Petersburg, MI 49270

Dear Board Members:

We have audited the accompanying combined financial statements of Summerfield Township, Monroe County, Michigan, as of and for the year ended June 30, 2006. These combined financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Summerfield Township, Monroe County, Michigan, at June 30, 2006, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

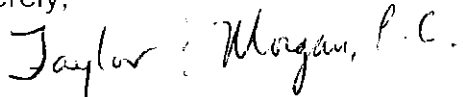
Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued a report dated August 11, 2006 on our consideration of Summerfield Township's internal control over

financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of Summerfield Township, Monroe County, Michigan. The information has been subjected to the procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Taylor & Morgan, P.C.".

TAYLOR & MORGAN, P.C.  
Certified Public Accountants

## **Summerfield Township Management's Discussion and Analysis**

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the Township's financial statements, which follow this section.

### **Governmental Accounting Standards Board Statement No. 34**

The Township implemented Governmental Accounting Standards Board Statement NO. 34 reporting requirement during the fiscal year that ended on June 30, 2004. GASB 34 reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. The following information presents a comparative analysis of key elements of the total governmental funds.

#### **Financial Highlights**

- The Township's Total Net Assets are \$2,396,392
- During the year, the Township's expenditures were \$ 946,276 and \$ 809,930 was generated in taxes and other revenues
- Total net assets increased \$86,806 during fiscal year 2006.
- General fund revenues and other sources exceeded expenditures by \$(14,820).

#### **Overview of Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Townships operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services are financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## **Government-wide Statements**

The government-wide statement report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as community development and general administration. Property taxes and state and federal grants finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant fund – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes such as the Road and Fire Funds to show that it is properly using taxes collected for both funds.

The Township has two kinds of funds:

- Governmental funds – Most of the Township's basic services are included in the three governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information on the statements or subsequent page that explains the relationship (or differences) between the two sets of statements.
- Fiduciary fund – This accounts for activity in the tax collection fund.

## **Financial Analysis of the Township as a Whole**

### **Changes in Net assets**

The Township's combined net assets are \$2,396,392. In comparison, last year's net assets were \$2,309,586, an increase of \$86,806.

### **Governmental Activities**

Total revenues increased \$55,790 as compared to 2005.

Total expenditures decreased \$135,490 as compared to 2005, mainly due to decreased expenditures in the Road and Fire Governmental Funds.

## **Financial Analysis of the Township's Funds**

As the Township completed the year, its governmental funds reported a combined fund balance of \$1,020,164, a decrease of \$136,796 over last year.

### **General Fund Budgetary Highlights**

Differences between the original expenditure budget and the final amended budget consisted of a \$26,720 decrease in various line items. Revenues were less than expected in charges for services. Interest and other revenue was higher than anticipated.

## **Capital Assets**

At the end of June 30, 2006 the Township had invested \$1,705,051 in capital assets, net of accumulated depreciation. This amount complies with methods for the reporting of capital assets established by the Governmental Accounting Standards Board (GASB).

## **Economic Factors and Next Year's Budgets and Rates**

The State's economy has not improved for the past three years therefore we can anticipate State Shared Revenues to remain flat or decrease by 3-5 %. The Township's general fund tax levy of less than one mill has not increased in over thirty years. With the increase cost in roads and fire department expenses we should consider increasing our millage in the near future. Also Headlee Overrides should be considered to restore our millage to the original rates as approved by the Township Voters.

## **Contacting the Township's Financial Administration**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information please contact us at the township hall in Petersburg, Michigan.

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Assets	Governmental Activities
Current Assets		
Cash, Cash Equivalents and Investments	\$	952,724
Due from Other Funds		129,311
Due from Other Governmental Units		33,181
Total Current Assets		<u>1,115,216</u>
Non-Current Assets		
Capital Assets		
Land, Buildings and Equipment		2,252,895
Less: Accumulated Depreciation		<u>(547,844)</u>
Net Capital Assets		<u>1,705,051</u>
Total Non-Current Assets		<u>1,705,051</u>
Total Assets		2,820,267
	Liabilities	
Current Liabilities		
Accounts Payable		95,052
Accrued Interest		9,191
Current Portion of Long-Term Obligations		<u>45,766</u>
Total Current Liabilities		<u>150,009</u>
Non-Current Liabilities		
Non-Current Portion of Long-Term Obligations		<u>273,866</u>
Total Non-Current Liabilities		<u>273,866</u>
Total Liabilities		<u>423,875</u>
	Net Assets	
Net Assets		
Invested in Capital Assets, Net of Related Debt		1,544,228
Unrestricted		<u>852,164</u>
Total Net Assets	\$	<u><u>2,396,392</u></u>

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Legislative	5,406			(5,406)
General government	\$ 200,085	\$ 85,633	\$	\$ (114,452)
Public Safety	169,855	24,139		(145,716)
Public Works	224,945			(224,945)
Recreation and culture	13,725			(13,725)
Pension expense	5,092			(5,092)
Debt service	17,700			(17,700)
Other	28,209			(28,209)
Unallocated Depreciation	58,107			(58,107)
Total Governmental Activities	\$ 723,124	\$ 109,772	\$ -	(613,352)
General Purpose Revenues				
Property Taxes				409,848
State Grants				230,055
Interest				21,089
Other				39,166
Total General Revenue				700,158
Change in Net Assets				86,806
Net Assets - July 1				2,309,586
Net Assets - June 30				\$ 2,396,392

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General Fund	Road Fund	Fire Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 196,278	\$ 116,607	\$ 379,366	\$ 44,947	\$ 737,198
Investments	215,526				215,526
Due from other funds	171,954	18,791	4,876		195,621
Due from other governmental units	33,181				33,181
<b>Total Assets</b>	<b>\$ 616,939</b>	<b>\$ 135,398</b>	<b>\$ 384,242</b>	<b>\$ 44,947</b>	<b>\$ 1,181,526</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 137	\$ 94,915	\$	\$	\$ 95,052
Due to other funds	18,791	4,876	42,643		66,310
<b>Total Liabilities</b>	<b>18,928</b>	<b>99,791</b>	<b>42,643</b>	<b>-</b>	<b>161,362</b>
<b>Fund Balance</b>					
Unreserved					
Undesignated	598,011	35,607	341,599	44,947	1,020,164
<b>Total Fund Balance</b>	<b>598,011</b>	<b>35,607</b>	<b>341,599</b>	<b>44,947</b>	<b>1,020,164</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 616,939</b>	<b>\$ 135,398</b>	<b>\$ 384,242</b>	<b>\$ 44,947</b>	<b>\$ 1,181,526</b>

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

Total Governmental Fund Balances	\$	1,020,164
----------------------------------	----	-----------

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in  
governmental funds.

Cost of Net Assets	\$	2,252,895	
Accumulated Depreciation		<u>(547,844)</u>	1,705,051

In the Statement of Net Assets, interest has been accrued on contracts payable as of June 30, 2006.		(9,191)
--	--	---------

Long-Term Liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.  
Long-Term Liabilities at year end consist of:

Contracts payable	\$	<u>319,632</u>	
Total Long-Term Liabilities			<u>(319,632)</u>

Total Net Assets - Governmental Activities	\$	<u><u>2,396,392</u></u>
--	----	-------------------------

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Road Fund	Fire Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes	\$ 94,098	\$ 105,247	\$ 210,503	\$	\$ 409,848
Licenses and permits	24,139				24,139
State grants	230,055				230,055
Charges for services	45,780		39,853		85,633
Interest	13,499	1,253	5,854	483	21,089
Other	30,766			8,400	39,166
Total Revenues	438,337	106,500	256,210	8,883	809,930
Expenditures					
Legislative	5,406				5,406
General government	209,161			13,024	222,185
Public Safety	38,195		347,551		385,746
Public Works	91,951	132,994			224,945
Recreation and culture	13,725				13,725
Pension expense	5,092				5,092
Debt service	61,418				61,418
Other	28,209				28,209
Total Expenditures	453,157	132,994	347,551	13,024	946,726
Excess of Revenues over Expenditures	(14,820)	(26,494)	(91,341)	(4,141)	(136,796)
Other Financing Sources/(Uses)					
Operating transfers					-
Total Other Financing Sources/(Uses)	-	-	-	-	-
Net Changes in Fund equity	(14,820)	(26,494)	(91,341)	(4,141)	(136,796)
Fund equity - beginning of year	612,831	62,101	432,940	49,088	1,156,960
Fund equity - end of year	\$ 598,011	\$ 35,607	341,599	44,947	\$ 1,020,164

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Total Net Change in Fund Balances - Governmental Funds	\$ (136,796)
--	--------------

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the  
Statement of Activities, the cost of those assets is allocated over their estimated  
useful lives as depreciation expense. This is the amount by which depreciation  
exceeded capital outlay in the current period.

Capitalized Assets	\$ 237,991	
Depreciation Expense	<u>(58,107)</u>	179,884

Interest on long-term debt in the Statement of Activities includes  
accrued interest, while the Governmental Funds statement does not.  
The increase in accrued interest at June 30, 2006 was \$826.

(826)

Repayment of note principal is an expenditure in the Governmental Funds, but  
the repayment reduces Long-Term Liabilities in the Statement of Net Assets.  
This is the amount of repayments reported as expenditures in the Governmental  
Funds.

44,544

Change in Net Assets of Governmental Activities	\$ <u><u>86,806</u></u>
---	-------------------------

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>129,311</u>
Liabilities:	
Due to other funds	\$ <u>129,311</u>

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS

NOTE A - DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES

Summerfield Township is located in the western end of Monroe County and covers an area of 36 square miles. The Township operates under an elected, five-member Board of Trustees which also includes the elected Supervisor, Clerk, Treasurer, and two Trustees, and provides service, including fire protection, road maintenance, and community enrichment and development to its residents.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Summerfield Township conform to generally accepted accounting principles as applicable to school Townships. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section to provide an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared with full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

## Basis of Accounting

### Basic Financial Statements – Government-wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Township's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

Interfund transactions have been eliminated in the government-wide financial statements.

### Basic Financial Statements - Fund Financial Statements

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into five generic fund types in two broad fund categories as follows:

#### Governmental Funds

Governmental funds are those funds through which most Township functions typically are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund- This fund is used to account for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes, State shared revenues, and other intergovernmental revenues. The General Fund accounts for the general operating expenditures which are not recorded elsewhere.

Special Revenue Funds - These funds are used for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations or charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

### Trust and Agency Funds

These funds account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund.

### Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual -Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual -The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Township reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Township receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the

government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Property, Plant and Equipment - Capital expenditures within the operating funds are charged against operations during the year of purchase.

Other Financing Sources (Uses) - The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out).

Budgets - Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Township's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis. Budget vs. actual results were monitored through the year and the budgets were amended prior to fiscal year end.

In the general fund, actual expenditures exceeded final amended budgeted expenditures by \$16,059. This is not in accordance with state budget statutes, and occurred largely due to tax tribunal payments that were not budgeted for.

Cash & Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash or have a maturity date of 90 days or less from the date of purchase. Investments represent certificates of deposit with a maturity of over 90 days and are recorded at cost, which approximates market.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### NOTE C - GENERAL LONG-TERM DEBT

The following is a summary of the Township's debt transactions for the year ended June 30, 2006.

	<u>Contracts Payable</u>	<u>Total</u>
<u>Payable at June 30, 2005</u>	\$ 364,176	\$ 364,176
Debt Redeemed:		
Monroe County		
Road Commission	(24,000)	(24,000)
FMIO, Inc. Property	<u>(20,544)</u>	<u>(20,544)</u>
<u>Payable at June 30, 2006</u>	<u>\$319,632</u>	<u>\$319,632</u>

The FMIO, Inc. Property contract has a 15 year maturity date with interest at 5.95%. Interest on the Monroe County Road Commission debt varies between 3.00% and 4.00%, with annual principal and interest payments through 2013. Total annual requirements to amortize long-term debt outstanding as of June 30, 2006 including interest payments of \$55,971 are as follows:

Year Ending <u>June 30,</u>	
2007	\$ 61,418
2008	60,668
2009	59,873
2010	59,033
2011 and thereafter	134,611

#### NOTE D - RECOGNITION OF TAX REVENUE

The Township property tax is levied each December 1, on the state equalized valuation of property located in the Township as of the preceding December 31. The Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, and according to generally accepted accounting principles, revenues from the current tax levy are recognized in the current year when the proceeds of this levy are budgeted and made available for the financing of Township operations.

The 2005 taxable valuation of Summerfield Township amounted to \$106,160,958, on which ad valorem taxes of .8801 mill were levied for Township operating purposes and 2.9589 mills were levied for special revenue purposes.

#### NOTE E - INVESTMENTS

##### Interest Rate Risk

Is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Township's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in bank certificates of deposit.

##### Concentration of Credit Risk

Is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. Cumulatively, portfolios of the Township may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Township portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

### Credit Risk

Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Township's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). The Township has no such investments in such issues.

### Custodial Credit Risk for Deposits

Is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2006, the Township had \$902,256 of its deposit balances uninsured and uncollateralized.

### Custodial Credit Risk for Investments

Is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township is not subject to this risk, as it has no such investments

### Foreign Currency Risk

Is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Township is not authorized to invest in investments that would be subject to this type of risk.

### NOTE F - PENSION PLAN

The Township maintains a defined contribution pension plan for its officers and employees. Substantially all employee groups are covered, and 100% vesting is immediate. Contributions are based on a percentage of salary earned. The Township's current year covered payroll and its total current year payroll for all employees amounted to \$157,971.

Contributions for the year ending June 30, 2006 totaled \$5,092.

### NOTE G - INTERFUND PAYABLES/RECEIVABLES

As of June 30, 2006, The Township's interfund payables/receivables were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 171,954	\$ 18,791
Agency Fund		129,311
Special Revenue Fund	23,667	47,519
Total	\$ <u>195,621</u>	\$ <u>195,621</u>

### NOTE H – RISK MANAGEMENT

The Township is exposed to various risks of loss in conducting its operations, from property and casualty theft and damage to various tort and liability claims. The Township purchases

commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect it from any significant adverse financial impact.

#### NOTE I – BUILDING FUND

Michigan Department of Treasury Local Audit Letter 2000-6 states that local units can retain compliance with P.A. 245 of 1999, Statewide Construction Code Act, by accounting for building department revenues in the General Fund only as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity with creating a separate fund. Summerfield Township complies with these provisions, and therefore, the building department activity is recorded in the General Fund.

Building department revenues and expenditures for the year ended June 30, 2006, are as follows:

Revenues	\$22,986
Expenditures	\$20,033

The expenditures listed above include only direct costs for the building department; an allocation for occupancy, insurance and other indirect costs is not included. It is management's opinion that, were the indirect costs included, building department revenues would not recover the full cost of the activity.

#### NOTE J – CHANGES IN CAPITAL ASSETS

Summary of capital asset transactions:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Balance June 30, 2006</u>
Land, Buildings & Equipment	\$2,014,904	\$237,991	\$2,252,895
Less: Accumulated Depreciation	<u>(489,737)</u>	<u>(58,107)</u>	<u>(547,844)</u>
Net Value	<u>\$1,525,167</u>	<u>\$179,884</u>	<u>\$1,705,051</u>

Additions consisted of the final delivery of a fire truck, as well as improvements to the cemetery.

Depreciation expense for the year in the amount of \$58,107 was recorded on the statement of activities as unallocated depreciation.

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 93,340	\$ 93,423	\$ 94,098	\$ 675
Licenses & permits	25,000	24,000	24,139	139
State grants	205,000	229,000	230,055	1,055
Charges for services	95,000	87,000	45,780	(41,220)
Interest	12,000	12,000	13,499	1,499
Other	14,000	20,000	30,766	10,766
Total Revenues	444,340	465,423	438,337	(27,086)
Expenditures				
Legislative				
Township board	8,500	8,500	5,406	3,094
General government				
Supervisor	18,000	21,500	21,665	(165)
Treasurer	20,000	16,500	17,739	(1,239)
Clerk	24,000	22,500	22,865	(365)
Assessing	26,000	26,000	26,645	(645)
Legal and audit	17,800	15,800	15,492	308
Building and grounds	45,000	48,000	50,841	(2,841)
Cemetary	60,000	40,000	53,832	(13,832)
Elections	500	100	82	18
Public safety				
Building inspector	20,000	21,000	20,033	967
Planning commission	25,000	17,000	15,682	1,318
Board of appeals	2,000	2,500	2,480	20
Public works				
Roads and drains	104,000	104,000	91,951	12,049
Recreation and culture				
Library	8,250	8,250	9,210	(960)
Recreation	5,050	4,500	4,515	(15)
Pension expense	8,300	12,000	5,092	6,908
Debt service	61,418	61,448	61,418	30
Other	10,000	7,500	28,209	(20,709)
Total Expenditures	463,818	437,098	453,157	(16,059)
Other Financing Sources/(Uses)				
Operating transfers	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(19,478)	28,325	(14,820)	(43,145)
Fund equity - beginning of year	612,831	612,831	612,831	-
Fund equity - end of year	\$ 593,353	\$ 641,156	\$ 598,011	\$ (43,145)

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 104,707	\$ 104,698	\$ 105,247	\$ 549
Licenses & permits				
State grants				
Charges for services				
Interest	1,900	1,900	1,253	(647)
Other				-
Total Revenues	106,607	106,598	106,500	(98)
Expenditures				
Public works				
Roads and drains	100,000	148,000	131,879	16,121
Refund of prior year revenues		2,000	1,115	885
Total Expenditures	100,000	150,000	132,994	17,006
Other Financing Sources/(Uses)				
Operating transfers				-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	6,607	(43,402)	(26,494)	16,908
Fund equity - beginning of year	62,101	62,101	62,101	-
Fund equity - end of year	<u>\$ 68,708</u>	<u>\$ 18,699</u>	<u>\$ 35,607</u>	<u>\$ 16,908</u>

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - FIRE EQUIPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 209,413	\$ 209,404	\$ 210,503	\$ 1,099
Licenses & permits				
State grants				
Charges for services			39,853	39,853
Interest	2,000	5,000	5,854	854
Other			-	-
Total Revenues	211,413	214,404	256,210	41,806
Expenditures				
Public safety				
Fire department equipment	225,000	225,000	217,098	7,902
Fire department operations	132,000	162,000	128,223	33,777
Refund of prior year revenues	3,000	3,000	2,230	770
Total Expenditures	360,000	390,000	347,551	42,449
Other Financing Sources/(Uses)				
Operating transfers				-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(148,587)	(175,596)	(91,341)	84,255
Fund equity - beginning of year	432,940	432,940	432,940	-
Fund equity - end of year	\$ 284,353	\$ 257,344	\$ 341,599	\$ 84,255

SUMMERFIELD TOWNSHIP  
NONMAJOR FUND BALANCE SHEET  
JUNE 30, 2006

Assets	Cemetary Improvement Fund	Total (Memorandum Only) June 30, 2006
Cash and cash equivalents	\$ 44,947	\$ 44,947
Total Assets	\$ <u>44,947</u>	\$ <u>44,947</u>
Liabilities & Fund Equity		
Fund Equity:	\$	\$
Unreserved	<u>44,947</u>	<u>44,947</u>
Total Liabilities & Fund Equity	\$ <u>44,947</u>	\$ <u>44,947</u>

SUMMERFIELD TOWNSHIP  
NONMAJOR FUND STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	Cemetary Improvement Fund	Total (Memorandum Only) June 30, 2006
Revenues:		
Lot sales	\$ 8,400	\$ 8,400
Interest	483	483
Total Revenues	8,883	8,883
Expenditures	<u>13,024</u>	<u>13,024</u>
Excess of revenues over/ under expenditures	(4,141)	(4,141)
Fund equity - beginning of year	<u>49,088</u>	<u>49,088</u>
Fund equity - end of year	\$ <u><u>44,947</u></u>	\$ <u><u>44,947</u></u>

SUMMERFIELD TOWNSHIP, MONROE COUNTY  
OTHER SUPPLEMENTAL INFORMATION  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Assets</b>				
Cash and cash equivalents	\$ <u>108,132</u>	\$ <u>2,623,736</u>	\$ <u>2,602,557</u>	\$ <u>129,311</u>
<b>Liabilities</b>				
Due to:				
Other funds	\$ 108,132	\$ 427,153	\$ 405,974	\$ 129,311
Other governmental units	-	<u>2,196,583</u>	<u>2,196,583</u>	-
	\$ <u>108,132</u>	\$ <u>2,623,736</u>	\$ <u>2,602,557</u>	\$ <u>129,311</u>



---

Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

August 11, 2006

To the Township Board  
Summerfield Township

We have audited the financial statements of Summerfield Township as of and for the year ended June 30, 2006, and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Summerfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Summerfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the members of the board of Summerfield Township.

A handwritten signature in cursive script that reads "Taylor &amp; Morgan, P.C." in dark ink.

TAYLOR & MORGAN, P.C.  
Certified Public Accountants

Summerfield Township  
Report of Comments and Recommendations  
June 30, 2006

Although our examination disclosed no material weaknesses in the internal control structure of Summerfield Township, the following are areas where further review and/or improvements may be made.

Prior Year Comment -- Disbursements

We recommended last year that the Township discontinue the practice of writing checks from the Road and Fire Funds, and instead, when disbursements were required from those accounts, first transfer the money into the General Fund checking account and issue the disbursement from there. Implementing this practice would subject these disbursements to the controls present in the General Fund, including board approval and a two-signature requirement.

This recommendation was implemented in 2005-06.